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ALUMINUM COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES

1956
FINANCIAL STATEMENTS

*On pourra se procurer le texte français de ce rapport, en s'adressant
au secrétariat de la Compagnie, 1700 immeuble Sun Life, à Montréal.*

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ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1956

ASSETS

	31st December 1956	31st December 1955
Current Assets:		
Cash	\$ 16,661,792	\$ 16,222,982
Government of Canada securities (quoted value \$25,792,874)	26,209,643	23,971,407
Receivables, less provision for doubtful accounts	18,582,571	14,226,404
Receivable from affiliated companies	39,363,953	52,369,916
Inventories of aluminum, materials and supplies (note 2)	85,826,669	66,094,040
(lower of cost or market)		
	<u>186,644,628</u>	<u>172,884,749</u>
Deferred receivables	6,776,303	3,902,927
Prepaid expense and deferred charges	15,746,488	13,003,912
Lands, plants, riparian rights, and facilities, at cost (note 3)	901,490,113	815,650,054
Less: Accumulated amortization, depreciation and depletion (note 4) ..	316,720,921	293,975,220
	<u>584,769,192</u>	<u>521,674,834</u>
	<u><u>\$793,936,611</u></u>	<u><u>\$711,466,422</u></u>

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ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Balance Sheet

31st December 1956

LIABILITIES

	31st December 1956	31st December 1955
Current Liabilities:		
Payables, including accrued liabilities	\$ 31,060,420	\$ 25,416,888
Payable to affiliated companies	2,401,158	1,285,233
Preferred dividends declared	790,652	686,554
Income and other taxes	12,417,858	11,046,165
Other debt payable within one year (note 5)	2,798,000	2,412,000
	<u>49,468,088</u>	<u>40,846,840</u>
Debt not maturing within one year (note 5)	268,047,099	224,781,291
Debt contingent on volume of operations (note 5)	91,443,500	97,527,750
Operating reserves and deferred credits	359 2,372,981	1,402,126
Reserve for future income taxes (notes 4 and 6)	84,707,425	66,756,465
Capital Stock and Surplus:		
Cumulative redeemable sinking fund preferred shares:		
4% first preferred — par \$25 — 474,266 shares outstanding (490,195 shares at 31st December 1955)	11,856,650	12,254,875
4½% second preferred — par \$50 — 1,200,000 shares outstanding ..	60,000,000	60,000,000
Common shares — without nominal or par value:		
8,000,000 shares outstanding	80,000,000	80,000,000
Capital surplus	3,143,350	2,745,125
Earned surplus	142,897,518	125,151,950
	<u>297,897,518</u>	<u>280,151,950</u>
	<u><u>\$793,936,611</u></u>	<u><u>\$711,466,422</u></u>

Signed on behalf of the Board,

R. E. POWELL, *Director*

DANA T. BARTHOLOMEW, *Director*

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Income

For the Year Ending 31st December 1956

	1956	1955
Sales and Revenues:		
Sales	\$309,214,629	\$275,238,785
Operating revenues (transportation services, etc.)	46,338,173	32,462,194
Interest on marketable securities	509,853	422,262
Gain on disposal of surplus fixed assets	1,106,266	2,352,411
Other income	267,048	188,323
	<u>357,435,969</u>	<u>310,663,975</u>
Costs and Expenses:		
Cost of sales	177,442,777	157,464,238
Operating expenses (transportation services, etc.)	37,910,727	26,263,806
Provision for depreciation and depletion (note 4)	24,421,533	22,089,399
Selling, general and administrative expenses	19,364,059	16,815,510
Interest on contingent and other debt not maturing within one year ..	12,126,580	11,749,443
Other interest	58,923	109,249
Cost of establishing supplementary pension fund (note 6)	1,335,595	—
Financing expenses	—	101,520
	<u>272,660,194</u>	<u>234,593,165</u>
Income before income taxes	84,775,775	76,070,810
Provision for current income taxes	21,503,733	17,175,413
(including \$18,509,456 Canadian taxes; \$14,794,734 in 1955)		
Reserve for future income taxes (notes 4 and 6)	17,950,960	17,734,598
	<u>39,454,693</u>	<u>34,910,011</u>
Net income	<u>\$ 45,321,082</u>	<u>\$ 41,160,799</u>

ALUMINUM COMPANY OF CANADA, LIMITED
and Subsidiary Companies

Consolidated Statement of Surplus
For the Year Ending 31st December 1956

EARNED SURPLUS

Earned surplus — 31st December 1955.....		\$125,151,950
Net income for the year.....		45,321,082
		<u>170,473,032</u>
Dividends:		
4% first preferred.....	\$ 479,538	
4½% second preferred.....	2,700,000	
Common.....	<u>24,000,000</u>	27,179,538
Appropriations for the purchase for cancellation of 4% first preferred shares.....		395,976
		<u>27,575,514</u>
Earned surplus — 31st December 1956.....		<u>\$142,897,518</u>

CAPITAL SURPLUS

Capital surplus — 31st December 1955.....	\$ 2,745,125
Par value of 15,929 4% first preferred shares purchased for cancellation.....	<u>398,225</u>
Capital surplus — 31st December 1956.....	<u>\$ 3,143,350</u>

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ALUMINUM COMPANY OF CANADA, LIMITED

We have examined the consolidated balance sheet of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1956 and the related consolidated statements of income and surplus for the year then ended and have obtained all the information and explanations which we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statements of income and surplus, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the combined state of affairs of Aluminum Company of Canada, Limited and subsidiary companies as at 31st December 1956 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse & Co.

Chartered Accountants.

Montreal, 11th March 1957.

ALUMINUM COMPANY OF CANADA, LIMITED

and Subsidiary Companies

Notes to Financial Statements

1. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries (which are all fully owned) comprising Chaguaramas Terminals Limited; Demerara Bauxite Company, Limited; Kitimat Terminals Limited; Newfoundland Fluorspar Limited; Saguenay Terminals Limited; The Roberval and Saguenay Railway Company; and Saguenay-Kitimat Company.

All intercompany items and transactions, including profits in inventories, have been eliminated.

Accounts, other than Canadian currency accounts, included in the consolidated balance sheet are translated into Canadian dollars at rates of exchange at 31st December 1956, except that (a) fixed assets and related reserves are at rates determined at dates of acquisition, and (b) debts not maturing within one year are at rates current at dates of issue except that the first mortgage 3½% sinking fund bonds, due 1974, payable in United States currency, are stated on a dollar for dollar basis.

2. Inventories of Aluminum, Materials and Supplies:

	1956	1955
Aluminum.....	\$ 15,826,510	\$ 7,922,688
Raw materials.....	56,356,351	45,929,043
Supplies.....	13,643,808	12,242,309
	<u>\$ 85,826,669</u>	<u>\$ 66,094,040</u>

3. Lands, Plants, Riparian Rights, and Facilities:

	1956	1955
Land and water rights.....	\$ 28,309,913	\$ 26,660,179
Mineral properties, rights and development.....	1,701,103	1,636,769
Buildings, machinery and equipment.....	820,360,153	731,523,446
	<u>850,371,169</u>	<u>759,820,394</u>
Construction work in progress.....	51,118,944	55,829,660
	<u>\$901,490,113</u>	<u>\$815,650,054</u>

Capital expenditures amounted to approximately \$90,000,000 in 1956 and it is expected that 1957 expenditures will exceed this amount.

4. Depreciation Policy:

Canadian Income Tax regulations permit the use of the diminishing balance method of calculating capital cost allowances and additional allowances may be claimed on property in respect of which certificates have been obtained from the Minister of Defence Production. These additional allowances (for which the Company is still eligible to the extent of some \$93 million deductible over the next few years) as well as the diminishing allowances, apply to facilities prior to completion as well as to facilities in use.

The Company and its subsidiary companies, while claiming tax allowances as permitted by regulation, follow the policy of providing in their accounts only for straight-line depreciation on facilities in use. Inasmuch as capital cost allowances for tax purposes in later years on existing assets will consequently fall correspondingly short of the amount of depreciation which will be recorded in the accounts for such years, reserves have been set aside for application against taxes payable in those later years. The amounts set aside each year are calculated at tax rates prevailing in that year and are thus equivalent to the reduction in each year's taxes resulting from taking capital cost allowances in excess of straight-line depreciation on facilities in operation.

5. Debt not maturing within one year:

	1956	1955
Aluminum Company of Canada, Limited:		
Revolving credit loans from banks, under U.S. \$100,000,000 credit agreement, convertible at the Company's option on or before maturity (1st May 1959) into term loans repayable in five equal consecutive annual installments beginning one year from date of conversion (U.S. \$48,000,000).....	\$ 46,954,375	\$ —
First mortgage 3½% sinking fund bonds, due 1974:		
Series "A".....	8,290,000	8,605,000
Series "B" (U.S. \$15,543,000).....	15,543,000	17,264,000
Commutation value of contractual obligation for annual payments secured by second hypothec (payable in Canadian currency and in United States currency in equal parts)	8,400,000	8,763,486
3½% Sinking fund debentures, due 1971.....	42,400,000	43,730,000
3½% Sinking fund debentures, due 1970 (U.S. \$73,068,000).....	71,903,478	76,264,844
4½% Sinking fund debentures, due 1973.....	46,750,000	48,000,000
Redeemable notes — payable to the U.K. Government:		
(interest payable only if and to the extent aluminum (magnesium) production is maintained at rates specified in the respective notes during the term thereof)		
3% Notes, due 1971..... (a)	16,485,000	13,737,500
3½% Note, due 1971..... (b)	7,492,500	6,243,750
3½% Note, due 1974..... (c)	6,000,000	4,000,000
3½% Note, due 1974 (magnesium)..... (d)	186,746	144,711
3½% Redeemable note, due 1974 — payable to the U.K. Government.....	440,000	440,000
	270,845,099	227,193,291
Less: Debt payable within one year in accordance with terms of the above obligations, included in current liabilities.....	2,798,000	2,412,000
	<u>\$268,047,099</u>	<u>\$224,781,291</u>

Debt contingent on volume of operations:

Aluminum Company of Canada, Limited:

Redeemable notes — payable to the U.K. Government:

(principal and interest payable only if and to the extent aluminum (magnesium) production is maintained at rates specified in the respective notes during the term thereof)

3% Notes, due 1971..... (a)	\$ 38,465,000	\$ 41,212,500
3½% Note, due 1971..... (b)	17,482,500	18,731,250
3½% Note, due 1974..... (c)	34,000,000	36,000,000
3½% Note, due 1974 (magnesium)..... (d)	1,496,000	1,584,000
	<u>\$ 91,443,500</u>	<u>\$ 97,527,750</u>

The formulae for abatement of the several notes in any year are summarized below:

Principal amount of note	Rate of interest	Principal and interest are abatable if production is less than (metric tons)	Amount of principal abatable per ton	Maximum amount of principal abatable in any year	Entire interest is abatable if production is less than (metric tons)
(a) \$39,600,000	3%	172,500*	\$24.00	\$1,980,000	90,000
(a) 15,350,000	3%	197,500*	30.70	767,500	172,500
(b) 24,975,000	3½%	400,000*	13.50	1,248,750	307,500
(c) 40,000,000	3½%	450,000*	40.00	2,000,000	400,000
(d) 1,682,746	3½%	4,000†	33.33	88,000	1,360

*1956 aluminum production — 563,000 metric tons.

†1956 magnesium production — 2,340 metric tons.

6. Supplementary Pension Fund:

A Supplementary Pension Fund was established in 1956, at an initial cost to the Company and its subsidiaries of \$1,335,595, to increase wherever necessary the retirement benefits becoming payable to employees of the North American Companies to minimum levels based on a revised pension formula. Inasmuch as the initial cost, which has been charged to income in 1956, may only be deducted for income tax purposes over a ten year period, expected future tax savings thereon of \$561,077 have been deducted from the amount reserved in 1956 for future income taxes. Based on current payrolls of the companies involved, contribution to this supplementary fund in future years should approximate \$215,000 per annum.

7. Executive Salaries, etc. (parent and subsidiaries):

The following amounts have been charged to income in 1956: executive salaries \$423,197; legal fees \$60,912.

ALUMINUM COMPANY OF CANADA, LIMITED
MONTREAL, QUE., CANADA

DIRECTORS

R. E. POWELL
President of the Company

DANA T. BARTHOLOMEW
President, Aluminium Securities Limited

NATHANAEL V. DAVIS
President, Aluminium Limited

JAMES A. DULLEA
President, Aluminium Secretariat Limited

PAUL LaROQUE
Vice President, Aluminium Secretariat Limited

E. G. MacDOWELL
President, Aluminium Union Limited

EDWIN J. MEJIA
President, Aluminium Fiduciaries Limited

J. ALEX. PRUD'HOMME, Q.C.
Geoffrion & Prud'homme

H. H. RICHARDSON
President, Aluminium Laboratories Limited

OFFICERS

R. E. POWELL
President

J. ALEX. PRUD'HOMME, Q.C.
Vice President

A. W. WHITAKER, JR.
Executive Vice President and General Manager

McNEELY DuBOSE
Executive Vice President

J. B. WHITE
Vice President and Director of Personnel

PAUL LEMAN
Vice President and Treasurer

L. P. LEDUC
Secretary

A. K. JORDAN
General Sales Manager

